

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1814 - SB 2216**

March 13, 2014

**SUMMARY OF BILL:** Enacts the “Tennessee Promise Zone Act” which authorizes local governments or local education agencies to create a promise zone under the direction and approval of the Department of Revenue (DOR). Sets forth the process and requirements for eligible entities to create and manage a promise zone. Creating entities will give college scholarships to students living within the zone and who graduate from a high school within the zone or receive their General Educational Development (GED) diploma. A portion of the sales and use tax earmarked for education shall be used to fund scholarships. Authorizes the use and application for federal funding through federal Promise Zone Initiative and the use of other local funding. Sets forth the process by which promise zone authorities may hire, fire, and retain staff and perform other functions. Sets forth the process by which a promise zone authority may be taken over by the DOR or dissolved by the creating body.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures –**

**\$213,100/General Fund/FY14-15**

**\$198,400/General Fund/FY15-16 and Subsequent Years**

**\$29,621,400/Education Fund/FY14-15**

**Exceeds \$29,917,600/Education Fund/FY15-16 and Subsequent Years**

**Other Fiscal Impact – To the extent that federal funds may be utilized to fund promise zone scholarships, state expenditures and permissive local expenditures, that would benefit the promise zone in the absence of this bill, may decrease. However, the amount of any such decrease is dependent upon the extent of any federal funding received and the actions taken by the promise zone authority. Such impacts cannot be reasonably quantified.**

**Assumptions:**

- According to the Department of Revenue, a new section will be created to perform DOR duties. Three new employees will be hired.
- One employee will be a manager with an estimated salary and benefits of \$75,000; one will be an actuarial officer with an estimated salary and benefits of \$60,000; and one employee will be an administrative assistant with an estimated salary and benefits of \$39,000; a total recurring increase in state expenditures for personnel of \$174,000 (\$75,000 + \$60,000 + \$39,000).

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- DOR will incur other recurring increases in state expenditures for training, supplies, and telecommunications of \$24,400.
- DOR will also have a one-time increase in state expenditures totaling \$14,700 for travel, supplies, office set-up, and telecommunications equipment.
- In FY14-15, the total increase in state expenditures from the General Fund is estimated to be \$213,100 (\$174,000 + \$24,400 + \$14,700).
- The recurring increase in state expenditures from the General Fund in FY15-16 and subsequent fiscal years is estimated to be \$198,400 (\$174,000 + \$24,400).
- There are approximately 44,515 high school seniors that are currently eligible for the free and reduced price lunch program.
- The current average annual tuition at state postsecondary institutions is \$6,655.
- Pursuant to the proposed section of Tenn. Code Ann. § 67-11-103(a)(1), if a governing body determines that it is in the best interests of the public to promote access to postsecondary education, then the governing body may, by resolution, declare its intention to establish a promise zone.
- Local governing bodies declare their intentions, by resolution, for the purpose of establishing promise zones, sufficient that ten percent of eligible high school seniors (or 4,451 students) will participate in a promise zone program.
- Pursuant to the proposed section of Tenn. Code Ann. § 67-11-110(b), proceeds from the capture of the state education tax (which is state sales and use tax revenue allocated to the Education Fund and earmarked for education purposes under current law) shall be deposited in the state revenue fund and credited to a restricted fund to be used solely for promise zone scholarships. As a result, there will be an increase in state expenditures from the state Education Fund of \$29,621,405 (\$6,655 x 4,451) in FY14-15 for the purpose of funding promise zone scholarships.
- If the high school population increases approximately one percent each year, the total recurring increase in state expenditures from the Education Fund in FY15-16 and subsequent years is estimated to be exceed \$29,917,619 (\$29,621,405 x 101.0%).
- The salary and benefits for promise zone authority employees and other operational costs for each promise zone are unknown and are dependent upon multiple unknown factors. Any increase in local expenditures for such employees and operations will be permissive.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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